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SUBJECT: China/Energy: New Energy Commission Aims to
Coordinate National Policy

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INTERNET DISTRIBUTION

11. (SBU) Summary: China's State Council announced January 27 the creation of a new National Energy Commission (NEC) headed by Premier Wen Jiabao, with Vice Premier Li Keqiang serving as NEC deputy. According to the State Council's announcement, the NEC aims to strengthen China's energy policy formulation and coordination, oversee an energy development strategy, examine energy security issues, and synchronize overall planning for large-scale domestic and international energy projects. Energy industry observers told us there would be few changes to current energy policies and viewed the NEC as a compromise step that fell short of the elusive goal of establishing a true energy ministry. A review of the NEC's members indicates China remains focused on energy supply and energy security issues, with less weight placed on energy efficiency, conservation or climate change. End Summary.

NEC A "POSITIVE STEP FORWARD"...

12. (SBU) The January 27 State Council announcement of the creation of a new, 21-member National Energy Commission headed by Premier Wen Jiabao and Vice Premier Li Keqiang was a "positive step forward" and demonstrated the importance Chinese leaders place on energy issues, according to a longtime Beijing energy analyst. While our contact doubted it would succeed in pushing through major reforms, he predicted the NEC could successfully coordinate energy policies across China's sprawling bureaucracy. He said the National Energy Administration (NEA), which was created in March 2008 to formulate and implement energy policy, did not have the authority to carry out this mandate, particularly vis-a-vis China's powerful state-owned energy companies.

13. (SBU) A government relations official at an American energy company agreed, saying the NEC would provide NEA with greater clout in dealing with other ministries and large state-owned energy firms. Based on his conversations with Chinese officials,

he said NEA would act as the NEC's secretariat and be charged with implementing policy decisions reached by the new commission.

...BUT ONLY AN "INTERMEDIATE STEP"...

14. (SBU) The local industry analyst viewed the creation of the NEC as a compromise decision that reflected the difficulty in managing different interests in China's energy sector. He said many officials believed China needed to establish a true ministry of energy to oversee strategic energy issues, especially the development of national oil companies (NOCs) such as CNPC and Sinopec. A researcher at the State Council's Development Research Center (DRC) echoed this view, noting that under the current system, China's NOCs were supervised by SASAC but energy policy was set by NEA and NDRC which allowed the NOCs to effectively ignore both bodies. He said the NEC should enable the government to improve coordination across all ministries and state-owned energy companies.

... BUT BUREAUCRATIC HURDLES REMAIN

15. (SBU) An official of a Chinese government energy association, who previously worked in the Ministry of Industry and Energy before it was dissolved in 1993, said the NEC would continue to face

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bureaucratic obstacles despite its high-profile leadership. He said China's energy issues touched upon many different ministries and agencies, and it would be difficult to reach agreement on contentious issues such as energy price reform. He said he believed the only workable solution would be for the eventual creation of an energy ministry.

WHO'S IN...

16. (SBU) Industry contacts were struck by the composition of the NEC (see para 8 for full list of members) which includes the Minister for State Security (MSS) and the deputy chief of the PLA's General Staff office. An industry contact said this reflected China's focus on energy supply and energy security questions which have received greater attention as China becomes more dependent on overseas energy resources.

...WHO'S NOT

17. (SBU) A clean energy consultant told us February 3 the NEC's makeup appeared to minimize the importance of energy efficiency, conservation and climate change issues. For example, the NEC does not include the Ministry of Housing and Urban-Rural Development (MoHURD) which sets important energy efficiency standards for housing and the construction sector. Also, the Ministry of Agriculture was not included suggesting less interest in biofuels. The DRC researcher said it was also unclear how the NEC would interact with the Leading Working Group on Climate Change, which is headed by Premier Wen, with Vice Premier Li as deputy. NDRC Vice Chairman Xie Zhenhua, China's lead climate change negotiator who has ministerial rank, was conspicuously absent from the list of commission members. Beyond climate change, Xie is also responsible for energy efficiency.

NEC COMPOSITION

18. (U) According to the State Council's Chinese-language January 27 announcement, the NEC will be led by Premier Wen Jiabao as NEC Chairman and Vice Premier Li Keqiang as NEC Vice Chairman. The 21 commission members include:

- You Quan, State Council Deputy Secretary General;
- Zhu Zhixin, Central Leading Group on Economic and Financial Affairs and NDRC Vice Chairman;
- Yang Jiechi, Minister of Foreign Affairs;
- Zhang Ping, NDRC Chairman;
- Wan Gang, Minister of Science and Technology (MOST);
- Li Yizhong, Minister of Industry and Information (MIIT);
- Geng Huichang, Minister of State Security (MSS);
- Xie Xuren, Minister of Finance;
- Xu Shaoshi, Minister of Land and Resources;
- Zhou Shengxian, Minister of Environmental Protection;
- Li Shenglin, Minister of Transport;
- Chen Lei, Minister of Water Resources;
- Chen Deming, Minister of Commerce;

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- Zhou Xiaochuan, Chairman of People's Bank of China;
- Li Rongrong, Chairman of State-owned Assets Supervision and Administration Commission (SASAC);
- Xiao Jie, Director of State Administration of Taxation;
- Luo Lin, Director of State Administration for Work Safety;
- Liu Mingkang, Chairman China Banking Regulatory Commission;
- Wang Xudong, Chairman of State Electricity Regulatory Commission (SERC);
- Zhang Qinsheng, Deputy Chief of the General Staff; and
- Zhang Guobao, NDRC Vice Chairman and NEA Administrator.

19. (U) NDRC head Zhang Ping serves as the director of the NEC office and NEA Administrator Zhang Guobao serves as the NEC office vice director.

HUNTSMAN